



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

January 2, 1997

TO: James W. Carter, Director

FROM: Pamela Grubaugh-Littig, Permit Supervisor 

RE: Active Coal Bond Status Report as of Decemberr 31, 1996

Attached is a copy of the current active coal bond status report. Presently, the coal program has a total of \$76,802,175 in various forms of reclamation bonds.

Corporate Sureties (28)	\$ 70,029,750	> 91%
Irrevocable Letters of Credit (3)	\$ 2,505,902	> 3%
Real Estate (1)	\$ 2,813,562	< 4%
Self Bond (1)	\$ 1,388,000	< 1%
Certificate of Deposit (1)	<u>\$ 75,000</u>	< 1%
	\$ 76,802,170	

blb

Attachment

cc: L. Braxton
M. Wright
D. Haddock
J. Helfrich
Price Field Office
Library

O:\COALBOND.RPT\COALBND.NEW

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
White Oak Mining & Construction Co., Inc. White Oak Mine No. 1 White Oak Mine No. 2 ACT/007/001	140.2	\$5,891,000 (1999)	Surety (Ridered)	National Union Fire Ins Co. 13-60-93 (A++)	3/31/94	\$42,019	Transferred from Valley Camp 5/27/94. (Disturbance in mine site, office & loadout). JWC letter of 6/19/95 will reduce bond to \$ 3,398,000 (1999 dollars).
AMAX Coal Company Castle Gate Mine ACT/007/004	134.5	\$6,757,451	Surety	National Fire Insurance Company Hartford #929-80-55 (A)	1/31/86 (10/3/94) (2/06/96)	\$69,267	Increased to \$4,415,505 on 10/3/94; Reclamation Agreement Submitted 1/95. Ridered 2/6/96.
Canyon Fuel Co, LLC Skyline Mine ACT/007/005	65.38	\$3,180,000 (1996)	Surety	United Pacific Ins. Co. #U2760729 (A-)	3/15/90 (5/31/90) (6/9/92)	\$48,639	Original Bond Amount - \$1,850,500 (6/20/89); Bonds replaced 7/30/90; Rider added 3/15/90; Rider added 6/9/92; Transferred from Costal Energy to Canyon Fuel Co. LLC on 12/20/96.
Cyprus Plateau Mining Corp. Star Point Mine ACT/007/006	173.2	\$5,180,000 (1996)	Surety	Aetna Casualty & Surety Co. 64S100208576BCA (A)	11/26/85 (10/26/90) (4/27/94)	\$29,908	Reclamation Agreement Signed 11/2/90; Ridered "termination" language 9/91; Increased to \$5,180,000 (1996) on 4/27/94.

COAL BONDS

As of January 2, 1997

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
Sunnyside Coal Company Sunnyside Mine ACT/007/007	287.4	\$1,850,184 to be approved by U.S. Bankruptcy Court	Combination	C.D. issued for \$75,000 at Zions First National Bank. First Deed of Trust for Undisturbed Land and Water Rights; Agreement 8/28/89	8/31/89	\$6,438	Escrow Agreement Finalized 6/90 3/13/89 Active Status; Transferred from Kaiser Coal Co. to SCC (previously SRS) 5/26/89. Filed Chapter 11 on 3/25/94; DOGM Filed Bankruptcy Claim 9/1/94; to Chapter 7 on 6/23/95. Undisturbed land sold to Penta Creeks on 3/12/96. OSM/DOGM agreed on \$1,850,184 cash collateral on 11/18/96, now to bankruptcy Court.
U. S. Fuel Co. Hiawatha Mines Complex ACT/007/011	290	\$1,450,000 \$1,388,000 (1999)	Surety Self Bond	Insurance Company of North America K01733369 (A-)	4/8/83 (12/16/86)	\$5,000 \$4,786	Reclamation Agreement needed. Bond amount (1996 dollars) adjusted to \$2,838,000 on 3/1/95 per JWC letter of 2/13/95. Parent guarantor - Mueller Industries on 11/7/95.
NEICO Wellington Prep. Plant ACT/007/012	356 (744)	\$6,036,000 (1999)	Surety	Safeco Insurance Co. #5612986 (A++)	10/26/89 (5/27/93) (3/29/94) (9/09/94) (9/18/95)	\$16,955	Permit Transfer to Genwal 10/10/89; Permit Transfer to Castle Valley Resources 12/5/91; Rider added 5/27/93 Transferred to NEICO 4/18/94. Bond ridered 3/29/94 & 9/09/94 from \$3,279,000. Ridered to \$6,036,000 on 9/18/95.
Intermountain Power Agency Horse Canyon Mine ACT/007/013	50	\$1,950,002 (1991)	Irrevocable Letter of Credit	Zions First National Bank	5/03/91	\$39,000	IPA Acquired Horse Canyon Mine 4/5/90; Permit issued 5/6/91; Bond increased 5/3/91. Phase I Bond release application.

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
Mountain Coal Co. Gordon Creek #2, 7 & 8 ACT/007/016	17.58	\$641,443 (\$45,900) (1989)	Surety (Released)	United Pacific Insurance Co U-62-99-85 and #8082-93-00 (A-)	11/22/77 8/14/87	\$36,487	Ridered "termination" language 9/91. 1989 dollars. Mine closed 1990. Structures removed. Reclamation started 9/29/95, continued during 1996. To be continued in 1997.
Mountain Coal Co. Gordon Creek #3 & #6 ACT/007/017	17.3	\$52,971 (1986)	Surety	United Pacific Insurance Co. U-629895 (A-)	9/19/86 (7/13/87) (2/13/95)	\$3,062	Original Bond Amount \$346,000. 1986 dollars; Phase I-Bond Release Effective 6/26/87 Ridered 7/13/87. Phase II Bond Release (rider eff as of 2/13/95) \$85,429.
Canyon Fuel Co. LLC Soldier Canyon Mine ACT/007/018	24	\$3,238,000 (1993)	Surety	United Pacific Ins. Co. #U-2760732 (A-)	9/15/93	\$134,917	Increased from \$577,000 5/2/91; Increased in conjunction with renewal, includes waste rock, not built yet. Transferred to Coastal 9/15/93. Previously \$1,940,000, 1991 dollars. (Bond posted 12/3/93) . \$30,000 posted on 03/13/95 for Dugout Creek exploration. Transferred from Soldier Creek Coal Co. To Canyon Fuel Co., LLC on 12/20/96.
Andalex Resources Centennial Project ACT/007/019	34.2	\$381,839 \$699,000 (1995)	Surety Surety	Ulica Mutual Insurance SU34593 (A) & SU1354086	5/16/83 7/3/90 (2/23/93)	\$11,165	Ridered to increase to \$1,080,839 on 7/3/90.
Horizon Coal Corporation Horizon Mine PRO/007/020		\$209,200.00 (2001)	Surety	St. Paul Fire & Maine Ins. Co. #400JU4131	10/09/96		Permit issued 10/10/96.

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
North American Equities Blazon #1 Mine ACT/007/021	1.5	(\$38,000) (Forfeited)	Irrevocable Letter of Credit S43865	United Bank of Denver	5/5/89	\$25,333	LOC with First Interstate Bank replaced 2/91; Amount reduced from \$48,400 4/30/91; Bond forfeited 5/24/91-Cashier's Check to Division; To AML on 2/9/94 per LPB.
Savage Industries, Inc. Savage Coal Terminal ACT/007/022	160	\$2,728,178 (1999)	Surety	United Pacific Insurance Company (A-) U-629894	4/22/87 (9/01/94)	\$17,051	Ridered "termination" language 9/91. Permit reissued 5/2/94; Bond Ridered on 9/22/94. Savage & Mtn. Coal Co., co-principals.
Andalex Resources, Inc. Wildcat Loadout Facility ACT/007/033	60	\$813,795 (1999)	Surety	Continental Casualty Co. 400776222 (A)	12/1/92 (6/10/93)	\$13,563	Changed from Pittsburgh National Bank in 4/92; Replaced ILOC 12/9/92.
Canyon Fuel Co, LLC Banning Siding Loadout ACT/007/034	21.4	\$350,000 (2000)	Surety	United Pacific Ins. Co. U2760739	9/15/93	\$16,355	Transfer to Coastal States 9/15/93. Increased from \$211,000 to \$350,000 on 12/12/95. Transferred from Soldier Creek Coal Co. To Canyon Fuel Co. LLC on 12/20/96.
Sunnyside Cogeneration Associates Sunnyside Refuse & Slurry ACT/007/035	202	\$1,900,000 (1997)	Surety	Frontier Ins. Co. 35790 (A-)	4/21/94 (12/04/96)	\$9,406	Permit issued 2/4/93; ILOC (S-09742-00018) Replaced with Surety on 4/21/94. Continuation certificate 3/30/96 - 3/30/97 for bond #35790. Bond amount increased to \$2,094,000. Per Division Order required by 10/22/96 but not posted to date. Ridered to \$1,900,000 on 12/04/96.

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
Cyprus Plateau Mining Corp. Blackhawk Exploration Site CEP/007/038	3.1	\$55,000	Surety	Aetna Casualty & Surety Company 64S100767004BCA (A)	9/21/92	\$17,742	Exploration Project Ridered - More Disturbance. Permit terminated 5/17/96.
Cyprus Plateau Mining Corp. Willow Creek Mine ACT/007/038	3.1	\$11,949,205 (2001)	Surety	United Pacific Insurance Company (A-)	04/19/96	\$3,854,582	Permit issued 4/23/96
Western States Minerals J. B. King Mine ACT/015/002	28	\$126,078 (1986)	Surety	Seaboard Surety Co. #104570 (A+)	(4/28/86)	\$4,503	Original Bond Amount - \$262,577. Phase I Bond Release (effective 5/20/86) Ridered-4/28/86.
Mountain Coal Co. Huntington #4 Mine ACT/015/004	12.5	\$46,734 (1985)	Surety	United Pacific Ins. Co. #U-630694 (A-)	4/15/85 (12/12/86) (7/8/88) (1/31/96)	\$3,739	Original Bond Amount - \$360,102; (Phase I-50% bond release effective - 11/10/86 ridered - 12/31/86). Ridered "termination" language 9/91. Phase II bond release eff when sed pond removed 3/20/95. Removed. Ridered 1/31/96.
Consolidation Coal Co. Hidden Valley Mine ACT/015/007	6.7	\$90,758 (1999)	Surety	Seaboard Surety #331474 (A+)	10/13/95	\$13,546	Original Bond Amount - \$171,515. Phase I bond release effective 7/17/88. Permit transferred 11/2/95 from Hidden Valley Coal Company to Consolidation Coal Company.

COAL BONDS

As of January 2, 1997

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
PacifiCorp Trail Mountain Mine ACT/015/009	24.78	\$1,000,000 (1999)	Surety	St. Paul Fire & Marine Ins. Co. #400JV3710 (A+)	9/01/94	\$40,355	Federal Mine Approval Tract 1 & 2 Transfer effective 11/23/87; Federal Lease Tract approved 5/15/91; Ridered "termination" language 9/91; Ridered increased amount and disturbance on 4/28/92 (from \$463,711 and 8.8 acres). Transferred from Mountain Coal Company to PacifiCorp 11/13/92. Ridered 8/3/93 to increase amount due to increased disturbance; Replaced 9/01/94. (\$834,228 - year 1999 dollars.)
Consolidation Coal Co. Emery Deep Mine ACT/015/015	247	\$3,454,443	Surety	Seaboard Surety #188617 (A+)	12/11/85 (5/3/91)	\$13,986	Bond includes mine and preparation plant area.
PacifiCorp Des-Bee-Dove Mine ACT/015/017	74.5	\$1,837,712 (2000)	Surety	St. Paul Fire & Marine Ins. Co. #400JN6139 (A+)	1/25/85 (12/6/90)	\$24,667	New Bond Submitted for PacifiCorp 12/90; Ridered "termination" language 9/91; Replaced 9/1/94. (\$1,553,638 - year 2000 dollars.)

COAL BONDS

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Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
PacifiCorp Deer Creek Mine ACT/015/018	95.79	\$2,500,000 (2000)	Surety	St. Paul Fire & Marine Ins. Co. #400JN6140 (A+)	3/15/85 (9/17/92) (8/26/96)	\$26,099	Waste Rock Storage Added 9/88; Original Bond Amount - \$1,224,000; New Bond Submitted for PacifiCorp 12/90; Ridered "termination" language 9/91; Increased from \$1,724,000 to include amendment changes 9/92; Disturbed Acreage increased to 93.29 (2/14/93); Replaced 9/1/94. Ridered for escalation 8/26/96.
PacifiCorp Cottonwood/Wilberg Mine ACT/015/019	101.74	\$2,071,098 (1994)	Surety	St. Paul Fire & Marine Ins. Co. #400JN6138 (A+)	6/15/84 (11/3/89) (6/7/90) (11/13/90)	\$20,357	Original Bond Amount-\$1,294,522 Ridered 6/7/90 for Waste Rock Site - \$1,586,008 (New Bond Submitted 11/20/90 for PacifiCorp with revised amount); Ridered "termination" language 9/91; Replaced 9/1/94.
Co-Op Mining Co. Trail Canyon Mine ACT/015/021	10	\$30,000 (1994)	Irrevocable Letter of Credit	West One Bank #S-557	6/15/89 (4/24/96)	\$3,000	Automatically Renewable; Phase I Bond Release - approved 7/18/94 for \$120,000. Phase II release approved 1/31/96; ridered 4/24/96.
Co-Op Mining Co. Bear Canyon Mine ACT/015/025	24	\$525,000 (1999)	Irrevocable Letter of Credit	West One Bank #1055	Amended 10/20/92 (for C.W. Mining) Expires 10/24/94	\$21,875	Automatically Renewable; Increased to \$340,282 on 1/11/94; Increased to \$487,911 on 9/1/94; Rider increased to \$507,000 on 2/17/95. Rider increased to \$525,000 on 7/31/95.

COAL BONDS

As of January 2, 1997

Name Of Project Permit Number	Disturbed Surface Acres	Present Bond Amount (Year Dollars)	Type of Bond Posted	Principal Holder* (Best's Rating) 1996	Year Date Posted (Ridered)	Cost per Acre	Comments
Genwal Resources Inc. Crandall Canyon Mine ACT/015/032	9.7	\$703,000 (1996)	Surety	American Home Assurance Co. #02-B-54926 (A++)	3/14/95	\$72,474	Replaced ILOC 7/30/90 with Surety. Rider 9/21/93. Transferred to Genwal Resources Inc., on 3/22/95. SAFEEO bond #4689174 replaced eff. 3/14/95.
Canyon Fuel Co, LLC Convulsion Canyon Mine ACT/041/002	69.70	\$3,988,000 (1997)	Surety	United Pacific Insurance Co. U2760730	4/12/91 (7/23/92) (7/27/95)	\$57,217	Ridered 7/23/92; Reclamation Agreement updated 2/25/93. Ridered eff. 7/27/95. Transferred from SUFCO to Canyon Fuel Co, LLC on 12/20/96.
BHP Petroleum (Americas) Knight Mine ACT/041/005	40	\$320,000 (1990)	ILOC	Australian and New Zealand Banking Group #1996/8200	1/30/96	\$8,000	Federal Ins. Co. Surety replaced 9/16/90; Phase I Bond Release on 11/8/94 of \$480,000. Replaced with ILOC on 1/30/96.
Summit Minerals Summit #1 Mine (aka: Blackhawk Mine) INA/043/001	19	(\$120,300)	Subord. Agreement	Division (Real Estate in Wallsburg, UT) (Permit Denied)	6/4/86	\$6,332	Not active coal mine, exploration only. In process of selling collateral bond: (Bond Forfeiture); 10/27/95 officially to AML. AAG opinion.
Summit Coal Co. Boyer Mine ACT/043/008	7	(\$100,900)	Subord. Agreement	Division (Real Estate in Park City, Utah) Permit Revoked 8/4/89	8/2/85	\$14,414	Collateral Bond has been sold and money in possession of State - AML Started Reclamation in November 1994. Completed in March 1995. Field evaluation by Title V - draft of evaluation and cost accounting of bond forfeiture to administration on 10/20/95.

*All of the bonding companies are listed in the Federal Register, July 1, 1996, the Department of Treasury listing of Surety Companies acceptable on Federal bonds.



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CC: Mary Ann
Wayne H.

February 4, 1997

TO: File #2

THRU: Daron Haddock, Permit Supervisor

FROM: James D. Smith, Reclamation Specialist

RE: Application for Exemption for Coal Extraction Incidental to the Extraction of Other Minerals, Sunray Mineral Products (Utah State Coal Lease #ML 43377), Folder #2, Wayne County, Utah

SUMMARY

Sunray Mineral Products has requested exemption from the Utah Coal Mining Rules, as allowed under Section R645-106 of the Rules, in order to commercially exploit a weathered, low-grade coal deposit in Wayne County. The product is intended for use as a soil conditioner rather than as fuel. The operation, as proposed in the current application, does not satisfy the requirements for exemption in Sections R645-100-400 and R645-106.

An application for exemption for personal, non-commercial use of this coal (R645-100-411) was made in 1992 by Dick Shumway. Mr. Shumway is the signer of the current Sunray application. The weathered coal was to be used as a soil conditioner. Judging from copies of correspondence in a file kept by Pam Grubaugh-Littig, Mr. Shumway complied with DOGM's requirements and obtained the exemption; however, no approval document is in Pam's file. Permitting apparently was done through DOGM's minerals program. An inspection of the site by Holland Shepherd in May 1993 found evidence of reclamation work but none of recent mining activity (see attached copy).

TECHNICAL ANALYSIS

MINERALS TO BE EXTRACTED (R645-106-312)

Analysis:

The material to be extracted is a low-rank, weathered coal. Various names are applied to this type of coal, including "leonardite coal". Weathered coal is often rich in humic acid and similar acids such as fulvic and ulvic that give the coal value as a soil conditioner. The

word "humate" commonly refers to rock containing abundant humic acid along with mineral components such as clay and silt. Humate can include thin coals interbedded with humic shales. Coal seams as thick as three feet are included in strata at Harley Dome, Utah described as humate (Jackson, 1983), but some consider weathered coal to be distinct from humate (Siemers and Wadell, 1977).

There are currently three operations mining humate or humic shale in Utah. The mined materials are used to produce various "health" products. These mining operations are regulated by the Minerals Section of DOGM. Humates, both humic shales and weathered coals, have been mined in several states for various uses such as soil enhancers, drilling fluid additives, and stains (Siemers and Wadell, 1977; Hoffman and others, 1994). I talked by telephone with Jim O'Hara of the New Mexico Mining and Minerals Division, who told me there is currently one active humate mining operation in New Mexico. The product is used as a soil enhancer. The operation is small, on private land, and is regulated under New Mexico's "hard rock" mining regulations. The material mined is described as humate or humic shale, not coal.

There are no analyses in the Sunray Mineral application that indicate if humic and similar acids are present in this weathered coal deposit. Results of three proximate analyses of the coal are included in the application, summarized in Table 1 below. Sampling methods and locations are not described but it has been assumed that these are valid channel samples from coal freshly exposed in the existing pit.

Low pH and high sulfur are typical of humic shales and coals. Ash greater than fifty percent in sample #3 indicates this sample is not coal but rather coaly shale or siltstone.

Utah Coal Mining rules (R645-100-200) define coal as "combustible, carbonaceous rock, classified as anthracite, bituminous, subbituminous, or lignite by ASTM Standard D388-77". ASTM Standard D388-77 was updated in 1995 to D388-95. A copy of Standard D388-77 could not be found but, as far as can be determined by using additional references, Btu values used to define coal rank have not been changed between D388-77 and D388-95. All three of Sunray Mineral's samples have Btu values below 6300 Btu/lb so are of too low quality to be considered lignite according to ASTM Standard D388-95. This supports Sunray Mineral's assertion that the material to be mined is not coal and is not subject to Utah Coal Mining Rules.

Table 1 PROXIMATE ANALYSES						
	AS RECEIVED			DRY		
Sample	#1	#2	#3	#1	#2	#3
Percent moisture	13.14	7.43	12.98	*****	*****	*****
Percent ash	38.27	39.33	61.83	44.06	42.49	71.05
Percent volatiles	24.67	26.90	18.62	28.40	29.06	21.40
Percent fixed carbon	23.92	26.34	6.57	27.54	28.45	7.55
BTU/lb	5551	6003	1390	6391	6485	1597
Percent sulfur	2.13	2.52	1.88	2.45	2.72	2.16
pH	2.70	*****	2.85			

However, in the cover letter with the application, Mr. Shumway states clearly that it is not shale that is to be mined but coal. Sunray Mineral Products' right-of-entry is under a State Institutional and Trust Lands Administration (SITLA) coal lease, and the "coal" seam has been mined previously as a DOGM-permitted-coal-mining operation. Therefore, it is recommended that an exemption not be granted under R645-106-300, even though the tested material does not meet the definition of coal used in the Coal Mining Rules.

The coal seam is shown to be three to five feet thick in Exhibit A of the application. Humic shales removed during coal mining would need to be stockpiled because they belong to another lessee (see attached copy of 11/15/96 e-mail to Tony Gallegos from John Blake, SITLA Minerals Management). Because of this, "coal" mined by Sunray Mineral Products could not be diluted with humic shale to the point that the "16 2/3" exemption under R645-106-500 would apply, at least not by the mining operation as described in the Sunray Mineral Products application.

These impediments to getting an exemption from the Coal Mining Rules could possibly be removed through cooperation or negotiation between Sunray Mineral Products, SITLA, and the lessee of the other minerals.

Finding:

Exemption cannot be granted under Sections R645-100-400 and R645-106 of the Coal Mining Rules because, based on the SITLA coal lease and a previous, permitted, coal-mining operation, coal is the material to be mined.

**ESTIMATE OF ANNUAL PRODUCTION OF COAL
AND OTHER MINERALS (R645-106-313)**

Analysis:

Initial production of soil conditioner is estimated to be three thousand tons per year. Production could reach as much as twenty to thirty thousand tons yearly if market expansion and product availability meet expectations.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

**ESTIMATED ANNUAL REVENUES FROM COAL
SALES AND OTHER MINERALS (R645-106-314)**

Analysis:

Based on a price of approximately \$40 per ton, initial revenues are estimated to be \$120,000. If market expansion and product availability meet expectations, yearly revenues of \$1,000,000 are possible.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

**WHERE MATERIALS ARE TO BE USED IF NOT SOLD
(R645-106-315)**

Finding:

This section does not apply to the proposed operation.

BASIS FOR ANNUAL ESTIMATES (R645-106-316)

Analysis:

Initial estimate of production is based on a purchase offer for three thousand tons.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

PROPERTY LOCATION (R645-106-317)

Analysis:

The SITLA coal lease covers 160 acres in the sw/4 Sec. 2, T. 27 S., R. 9 E. A location map is included in the application. There is a map of the existing pit mine in Appendix A, but it is not sufficient to locate the boundaries of the proposed operation and distinguish the proposed operation from other mining areas. It is not clear if other mines operate in the area, but another lessee holds the State lease to non-coal minerals in this section of State land.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules except for the following deficiency.

1. Information on the boundaries of the proposed operation is not sufficient to locate and distinguish it from other mining areas or properties of other lessees.

ESTIMATE OF ACRES IN MINING AREA (R645-106-318)

Analysis:

Sunray Mineral Products states in its application that the SITLA lease covers 160 acres and it is known that 60 acres are underlain by weathered, oxidized coal. No data are given in support of this 60-acre figure.

It isn't known how large of an area is represented by the samples analyzed for the three reports included in the application. Coal shipped from this pit in the late 1970's was rejected by Nevada Power because of its inferior quality. There may have been analyses done to determine this. If results of those analyses could be obtained, they could possibly help to define the extent of the weathered coal.

Weathered zones in coal in New Mexico are described as extending no more than a few hundred feet into the subsurface from the outcrop (Siemers and Wadell, 1977) so exemption from the Coal Mining Rules may need to exclude mining of higher-grade coals that may be uncovered by removal of the weathered material.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules except for the following deficiency:

- 1). Information on the estimate of the mining area is inadequate.

EVIDENCE OF PUBLICATION IN A NEWSPAPER (R645-106-319)VI

Analysis:

A copy of the notice published in *The Richfield Reaper* newspaper and a copy of the Affidavit of Publication are included in the application. Publication was on November 27, 1996.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

REPRESENTATIVE CROSS SECTIONS (R645-106-320)

Analysis:

At the bottom of Exhibit A is a generalized east-west cross section showing the stratigraphic thickness of the overburden and coal at the west edge of the old pit.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

MAP OF MINING AREA (R645-106-321)

Analysis:

At the top of Exhibit A of the application is shown the general configuration and orientation of the existing pit. The map is not to scale. The area that will be affected is not identified.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules except for the following deficiency.

- 1). There is no map to the appropriate scale that clearly identifies the mining area.

DESCRIPTION OF MINING AND PROCESSING ACTIVITIES FOR THE MINING AREA (R645-106-322)

Analysis:

Strip mining will begin at the edge of the old pit. Overburden, consisting of three to ten feet of shale and sandstone, will be removed from a strip and the coal removed. Overburden from the next strip will be used to reclaim the previous strip. The natural surface is Mancos Shale, which is fairly barren of vegetation. Excavation and reclamation will result in a more sandy material that may better support vegetation.

Sunray Mineral Products

February 4, 1997

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Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

**SUMMARY OF SALES COMMITMENTS AND AGREEMENTS FOR
FUTURE DELIVERY (R645-106-323)**

Analysis:

A copy of a sales agreement with Westwood Enterprises of Grand Junction, Colorado is in the application. The agreement is for three thousand tons of bulk material suitable for use as a soil conditioner. An expanding market for coal humate to be used as soil conditioner is anticipated. Coal humates have been used to restore productivity to lands that have been damaged by spills of toxic materials or overuse of chemical fertilizers or pesticides.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

**DESCRIPTION OF OTHER MINERALS TO BE USED COMMERCIALY
BY APPLICANT (R645-106-324)**

Analysis:

No commercial use of minerals other than the coal humates is described .

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

**OTHER OPERATIONS HAVING EXTRACTED COAL OR OTHER
MINERALS PRIOR TO APPLICATION FOR EXEMPTION (R645-106-325)**

Analysis:

Coal from this State coal lease was mined by a DOGM permitted coal-mining operation in the late 1970's, although the operation was not economically viable because of the low quality of the coal. The permittee and operator of that mine are not identified in the current application for exemption.

An application for exemption for personal, non-commercial use of this coal (R645-100-411) was made in 1992 by Dick Shumway. (Mr. Shumway is the signer of the current Sunray Mineral Products application.) The weathered coal was to be used as a soil conditioner. Judging from copies of correspondence in a file kept by Pam Grubaugh-Littig, Mr. Shumway complied with DOGM's requirements and obtained the exemption; however, no approval document is in Pam's file. Permitting apparently was done through DOGM's minerals program. An inspection of the site by Holland Shepherd in May 1993 found evidence of reclamation work but none of recent mining activity (see attached copy). There is no documentation on this prior exemption in the current application for exemption. There is no information on production under either the coal mining permit in the 1970's nor the exemption granted in 1992.

At one time there was at least one coal stockpile at the mine. There is no mention of stockpiles in the current application. Based on information from DOGM personnel who have visited the site at various times, there are no longer coal piles at the pit.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules except for the following deficiencies.

- 1). There is no documentation on the previous exemption from the Coal Mining Rules.
- 2). There is no information on cumulative production.

Sunray Mineral Products

February 4, 1997

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**CUMULATIVE PRODUCTION OF COAL NOT TO EXCEED 16 2/3
PERCENT (R645-106-511)**

Analysis:

See the analysis under **MINERALS TO BE EXTRACTED (R645-106-312)**

Finding:

The proposed operation does not meet the requirements for exemption under Section R645-106-511 of the Coal Mining Rules.

**STRATUM ABOVE OR IMMEDIATELY BELOW OTHER MINERALS TO
BE EXTRACTED (R645-106-512)**

Analysis:

No other minerals are to be extracted.

Finding:

This section of the Coal Mining Rules does not apply.

**CUMULATIVE REVENUE FROM COAL NOT TO EXCEED 50 PERCENT
(R645-106-513)**

Analysis:

All revenue will be from coal like material mined under a State coal lease. Another lessee holds rights to non-coal materials.

Finding:

The proposed operation does not meet the requirements for exemption under Section R645-106-511 of the Coal Mining Rules.

A COMMERCIALY VALUABLE MINERAL FOR WHICH A MARKET EXISTS (R645-106-521)

Analysis:

Coal humate is a commercially valuable material for which a market exists. A copy of a sales agreement with Westwood Enterprises of Grand Junction, Colorado is in the application. The agreement is for three thousand tons of bulk material suitable for use as a soil conditioner. An expanding market for coal humate to be used as soil conditioner is anticipated. Coal humates have been used to restore productivity to lands that have been damaged by spills of toxic materials or overuse of chemical fertilizers or pesticides.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

SALE TO OR USE BY A RELATED ENTITY (R645-106-522)

Analysis:

The application for exemption doesn't identify any relationship between Sunray Mineral Products and Westwood Enterprises other than the sales agreement already referred to. The sales agreement appears to be a valid offer to purchase three thousand tons of the coal humates for a legitimate business purpose. DOGM made no further investigation of the relationship between these two companies.

Finding:

Information provided in the application is adequate to satisfy this section of the Coal Mining Rules.

RECOMMENDATION

The application for exemption should not be approved.

Sunray Mineral Products appears to be caught in a paradoxical situation. The material that is desired to be mined is very poor quality coal; an argument can be made that it is not coal at all and therefore not subject to the Utah Coal Mining Rules. There is a market for this

Sunray Mineral Products

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"humate" as soil conditioner. However, the right of entry to the "humate" is by a Utah State Institutional and Trust Lands (SITLA) coal lease and rights to non-coal minerals are held by another lessee. As long as SITLA, the owner, defines the material as coal and as long as Sunray's right-to-mine is limited to coal only, it would seem DOGM is constrained to treat the material as coal and apply the Coal Mining Rules.

Sunray Mineral Products can perhaps resolve the problem through negotiation with SITLA and the lessee of the non-coal minerals.

REFERENCES

- Hoffman, G. K., Verploegh, J., and Barker, J. M., 1994, Geology and chemistry of humate deposits in the southern San Juan Basin, New Mexico, pre-print number 94-142, SME Annual Meeting, Albuquerque, New Mexico-February 14-17, 1994, 10 p.
- Jackson, A. L., 1983, Humates and their development at Harley Dome, Utah, Grand Junction Geological Society-1983 Field Trip, pp. 17-19.
- Siemers, C. T. And Wadell, J. S., 1977, Humate deposits of the Menefee Formation (upper Cretaceous), northern New Mexico, Supplement to the New Mexico Geological Society Guidebook, 28th Field Conference, San Juan Basin III, 21 p.

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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

May 6, 1993

TO: Minerals File

FROM: Holland Shepherd, Senior Reclamation Specialist *HS*

RE: Site Inspection, Factory Butte Project, S/055/006, Wayne County, Utah

Date of Inspection: May 4, 1993
Time of Inspection: 9:00 a.m. - 9:30 a.m.
Conditions: Cloudy, cold, windy
Participants: Holland Shepherd, Tony Gallegos, and Wayne Hedberg, DOGM

This inspection was conducted to evaluate the site status based on the recent permitting application by Dick Shumway (operator). Mr. Shumway has received an exemption from the coal mining rules because he is mining coal (actually humates) on a small scale for personal use only. He has indicated that he plans to use the humates, in the coal ore body, for fertilizer, to be used on his ranch in Moab.

No recent mining activity was evident during our inspection. However, somebody has reclaimed the backhoed excavation activity (supposedly coal exploration), that was evident during our last visit to the site, in 1990. The excavations have been backfilled and recontoured. Also, it appears that the explored areas has been seeded and disced. Photos were taken.

jb

cc: Pam Grubaugh-Littig, Coal Program, DOGM
S055006



From: John Blake
To: NRDOMAIN.NROGM(TGALLEGO), NRDOMAIN.NROGM(WHEDBERG)
Date: 11/15/96 9:00am
Subject: Dick Shumway - Factory Butte Mineral Project (S/055/006) -Reply

Dick Shumway's state lease is for coal only and does not allow him to mine any of the humic shale which lies on top of the coal seam. The humic shale is owned by another lessee and would need to be removed and stockpiled by Shumway before mining the coal.

Mr. Shumway never received an approved exploration or mining permit from State Lands for this project. I believe that any operations at the Factory Butte site should be closely monitored by DOGM and TLA due to the environmentally sensitive nature of the area and the reclamation work which was previously completed. I question the advisability of granting any regulatory exemptions.

CC: NRDOMAIN.NROGM(MWRIGHT),



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Governor

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James W. Carter
Division Director

1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340
(801) 359-3940 (Fax)

File

July 8, 1997

Chuck Semborski, Chair
Coal Environmental Subcommittee
Energy West
P. O. Box 310
Huntington, Utah 84528

Re: The Ad hoc Committee on Contemporaneous Reclamation

Dear Mr. Semborski:

This letter is to confirm to you and the Coal Environmental Subcommittee the appointments and goals for the ad hoc group which will work on rule development for contemporaneous reclamation.

You informed me that the following persons will be on the committee:

Charles Reynolds
Patrick Collins
Dan Ferriter

As well, representing the Division will be:

Pamela Grubaugh-Littig
Joe Helfrich
Daron Haddock

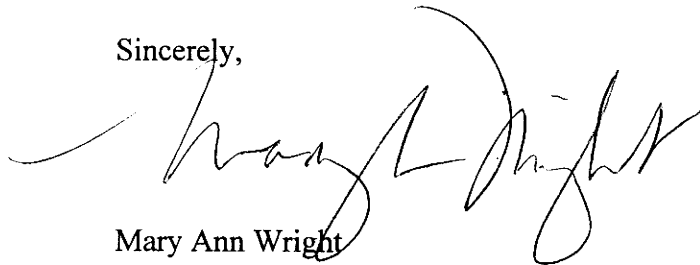
As we discussed in our meeting of May 29, 1997, the goal of the group is to develop rule language which will enhance the existing rule on contemporaneous reclamation in the coal rules. This existing rule exists only in the revegetation section of the regulations. As such, there are differing understandings about the underlying presumptions in implementing this rule. Development of further rule language would be an opportunity to make it clear that disturbed areas no longer being used in the mine operation need to be regraded, recontoured, topsoiled and revegetated.

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Chuck Semborski
July 8, 1997

Thank you for proposing this alternate route to addressing the Division's concerns about reclamation. I am confident that this ad hoc group will work hard to solve this issue.

If you have further questions, please call me at (801) 538-5306.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Ann Wright".

Mary Ann Wright
Associate Director of Mining

vb

cc: P. Grubaugh-Littig
D. Haddock
J. Helfrich

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